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SIPDIS

DEPT FOR NEA/NGA - NJENSEN AND EUR/SE  
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SENSITIVE

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SUBJECT: Turkish Customs Undersecretary on Iraqi Border Crossing, Fuel Smuggling

1. (U) Baghdad minimize considered.

2. (SBU) Summary: Turkey's Customs Undersecretary told us that two-way crossings at Habur total about 1,500 vehicles daily, and that he expects this traffic to more than double in the near future. Following a stoppage at the border prompted by a Kurdistan Democratic Party attempt to collect higher fees from truckers last week, traffic is now flowing smoothly. Turkish Customs continues to confiscate smuggled fuel oil coming from Iraq. Despite reports that the Prime Minister announced that Turkey had decided today to open its borders to Iraqi imports, but Foreign Trade sources have told us that it will take at least several days to implement this. MFA noted interest in reestablishing air transport links with Baghdad, and asked for the U.S. view on whether bilateral trade and transport agreements negotiated with the old regime in Iraq are still valid. End Summary.

3. (SBU) Econ Counselor, Econoff and Econ Specialist discussed Turkish-Iraqi trade and the Habur border crossing with Customs Undersecretary Nevzat Saygilioglu and with Acting Director General for EC and External Relations Sebahattin Kocas on June 11. Econ Counselor thanked Saygilioglu for Turkish cooperation in securing the flow of humanitarian supplies to Iraq, and stated that U.S. authorities were working to create a uniform trade and tariff policy throughout Iraq with all of Iraq's neighbors, including Turkey.

4. (SBU) Saygilioglu stated that, with sanctions lifted, Turkey's only border crossing with Iraq at Habur was now handling a combined flow of about 1,500 vehicles daily (though Turkey has yet to establish procedures to allow imports from Iraq). Customs has extended its working hours to a daily 07:30 to 01:00 schedule. Saygilioglu predicted that traffic between Turkey and Iraq would increase in the near future to 3,000 to 4,000 vehicles daily. He offered his "personal" opinion that a second border crossing would be necessary, but noted that an interagency group would decide whether or not to pursue this project. A second crossing would require up to 35 kilometers of new roads.

5. (SBU) Saygilioglu acknowledged that border operations had been disrupted last week by Kurdish Democratic Party attempts to raise fees to USD 120 per truck, but that KDP had apparently reduced its demand to USD 20 per truck. Traffic is now flowing smoothly across the border.

6. (SBU) While agreeing with the U.S. goal of encouraging Turkish-Iraqi trade relations, Saygilioglu complained about Iraqi smuggling of fuel oil into Turkey. He said that Turkish prices for this product were currently 15 times higher than those in Iraq and that this provided the stimulus for smuggling. EconCouns suggested that importing cheaper fuel should be positive for Turkey. However, Saygilioglu condemned the trade as subjecting Turkish businesses to "unfair" competition and pointed out the poor quality of smuggled fuel. He stated that Customs had confiscated 100 tons of such fuel on June 10.

7. (SBU) The Undersecretary stated that Customs facilities at Habur were in need of extensive renovation, and that the GOT was considering use of the build-operate-transfer (BOT) model to secure private sector investment. He pointed out that the BOT model had been successfully used to build customs facilities

on the Greek and Iranian borders.

18. (SBU) Following our meeting at Customs, PM we received reports that the government had decided to Erdogan told the press that the GOT had opened the border to Iraqi imports, implementing the UN sanctions lift resolution. However, Foreign Trade Director General for Agreements clarified to us on June 12 that, while this decision has been taken in principle, many details have yet to be worked out and the opening to Iraqi imports will not be implemented for at least several days. Other sources told us the government was still waiting for the Turkish military to bless the decision.

19. (SBU) In a separate meeting, MFA Ambassador Okcun told Econ Counselor that the GOT is organizing a visit to Baghdad by Turkish airline representatives to survey the airport, Turkish airline offices and discuss the possibility of renewing air links with Baghdad. He also said Turkey hopes to find out soon asked whether its Turkey's bilateral trade and transport agreements with Iraq were still considered valid.  
Pearson